

Department of Education

Notes from the Deputy Assistant Secretary

On March 17 we began the 1982-83 Pell Grant processing cycle. We will again strive to provide students and the financial aid community with the information and services needed to operate the Pell Grant Program. We must advise you, however, that because of severe budget constraints, the Department of Education (ED) is making special changes to the current processing systems which will reduce some services previously provided to students, institutions, and state agencies.

ED is taking these actions because of the absolute necessity to maintain fiscal restraints on cost growth in our contract activities. Determining which services could be eliminated and/or curtailed has been difficult. In many instances, the changes which are described in more detail below involve modifying a current procedure to make it more efficient, such as sending rosters only to institutions which have requested them; or eliminating certain "courtesy" services, such as returning extraneous materials which students frequently include with their applications rather than simply disposing of them at the processing center. Specifically, the changes to be made are in the following areas:

- extended turnaround time
- telephone service
- sixty-day reminder Student Aid Report (SAR)
- state agency and institution rosters
- extraneous materials
- postage on return postcards

Extended turnaround time. During the late spring and early summer of each processing cycle, the volume of applications and corrections to be processed is much higher than any other time of year. In order to reach contractually mandated turnaround times, the contractor has had to hire additional staff and/or pay overtime wages, resulting in significant government incurred expenses. In an effort to avoid these costs, the Department has modified the contract requirements in order to maintain a "steady state" level of effort during the processing peak. The contractor will have longer to process the peak volume within the contract turnaround time specifications and will therefore not hire additional

Office of Student Financial Assistance

staff or pay overtime. This may mean applicants may experience slight delays in receiving their Student Aid Reports (SARs). However, normal processing turnaround time should be achieved by mid to late August for applications, and early September for corrections to SARs.

Telephone services. The current toll-free information service will be eliminated and replaced by commercial services. The SDC toll-free numbers (800/423-6932, 800/352-8671 for callers in California, and 800/423-6872 for callers in Alaska and Hawaii) will be disconnected on or about June 1, 1982. However, operators will be available at the commercial number 213/820-2800 to answer questions on application processing.

We realize that this toll-free service has been helpful to many students and institutions. Indeed, our central processing contractor has answered over 1 million calls since February 1981. Nonetheless, the costs associated with the toll-free lines make it necessary to convert to commercial lines. We should note, however, that the same information services will continue to be available except, of course, that telephone calls to our processing center will be paid for by the caller.

Sixty-day reminder SAR. Student Aid Reports (SARs) will no longer automatically be sent to students who have not responded to the rejected SAR which they received sixty days earlier. Currently, these students are reminded that they must provide additional information before an aid index can be calculated for them.

State agency
of times
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productions rather than the 20 productions offered in the past. Information packets will be mailed shortly to all state agencies and institutions. Each information packet includes a request form to be completed by the institution or state agency. Rosters (paper or tape) will not be sent to state agencies or institutions which have not submitted a request form after the first four or five scheduled productions. Formerly, all institutions automatically received paper rosters. Obviously, in order for us to achieve the savings which enactment of this measure is projected to achieve, institutions and

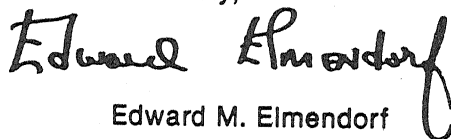
state agencies who do not absolutely require and, for that matter, make use of these products should not request continuation of this service.

Extraneous materials. In the application instructions, students are told not to send additional materials with their applications. Nonetheless, approximately 30 percent of the applications and corrected SARs received at the processing contractor have some type of "extraneous" material included with them. In the past, the contractor has returned the material to the student. We have instructed our processing contractor to shred any material not used to process the form. Only documents used in making a judgment related to processing will be kept. No documents will be returned to the student.

Postage on return postcards. In the past, the contractor put postage on return postcards sent by students with their applications, although students are instructed to affix a stamp on the postcard before enclosing it with their application. From the time of this modification in our procedures, those who include the postcard without the stamp will not have the postcard returned to them.

We are sure we can count on your support in our efforts to save tax dollars in the operation of the Pell Grant processing center.

Sincerely,



Edward M. Elmendorf

Uniform Definition of "Academic Year" Must Be Used in 1982-83

For 1981-82, the U.S. Department of Education allows a school to use one definition of "academic year" for the Pell Grant Program and a different definition for the campus-based programs, as long as each definition meets the minimum length (900 clock hours, 24 semester hours, or 36 trimester or quarter hours).

In 1982-83, however, a uniform definition must be used for the Pell Grant and campus-based programs. Schools were notified of this change in the 1980-81 Q&A Newsletter #4, question 2-40, May 12, 1981.

1982-83 Funding for the Campus-Based Programs

Institutions received their tentative 1982-83 allocations for the Campus-Based Programs in early April. These tentative amounts are generally lower than 1981-82 allocations because of the reduced available funds nationwide. A National Appeal Panel will meet in Washington during the week of April 26-30 to review appeals submitted in accordance with the April 20 postmark deadline published in a special notice enclosed with the tentative allocations. We expect to release final 1982-83 funding levels in June.

Recalculating Pell Grant Awards of Students Who Change Their Enrollment Status

When a student's full-time costs of attendance changes from one term to another within an academic year, we allow the school the option of recalculating the student's grant in those situations where the student's enrollment status (i.e., full, one-half, or three-quarters) remains the same. If a school chooses to recalculate for students whose enrollment status remains the same, it must do so for all students. We plan to amend the current regulations to incorporate this policy which is not specifically addressed in the regulations.

When the enrollment status changes, the school must recalculate the student's award. The following example illustrates how a school would recalculate when there is a different cost calculation for different terms. Each term's calculation will generate a separate Scheduled Award. For example, the full-time tuition and fee cost for the fall semester would be doubled to produce the yearly charge for tuition and fees. The standard allowances of \$1,100 and \$400 would then be added to that figure. This projected full-time yearly cost would produce the Scheduled Award to be used for the first semester. Thus, if full-time tuition and fees for the fall semester are \$600, the calculation would be:

\$600 x 2 (semesters)	=	\$1,200
Room and Board	=	1,100
Miscellaneous	=	400
		<hr/>
		\$2,700

The Scheduled Award for a student with a "0" eligibility index and a \$2,700 cost of attendance is \$1,282. This would be used for the first semester, and the appropriate payment for a semester based on that scheduled award would be made for the first semester.

For the second semester, if the full-time tuition and fee charge has been reduced to \$100, the cost calculation would be:

\$100 x 2 (semesters)	= \$ 200
Room and Board	= 1,100
Miscellaneous	= 400
	<hr/>
	\$1,700

This calculation produces a Scheduled Award of \$782 for the student. This figure would be used for the second semester, and the appropriate payment for a semester based on that Scheduled Award would be made for the second semester.

If a student was attending full-time for both of the above semesters, (s)he would have received \$641 for the first semester and \$391 for the second semester, and this would have been his or her full "Scheduled Award." Thus, the student would *not* be entitled to any additional Pell Grant funds during that award year.

However, if the student had not been a full-time student both semesters, he or she would have some eligibility remaining for the award year. Thus, if the student attended a summer (third) semester that was part of the same award year, payment could be made to the student up to the amount of eligibility remaining. For example, if a student was a three-quarter time student during both the first and second semesters, and was also a three-quarter time student during the summer term, the calculation would be as follows:

Scheduled Award for first semester	= \$1,282
Amount from three-quarter time disbursement schedule	= 942
\$942 ÷ 2 for one semester	= 471
Payment of \$471 for first semester would use up .37 of the student's Pell Grant for the year, (\$471 ÷ \$1,282)	= .37

Scheduled Award for second semester	= \$ 782
Amount from three-quarter time disbursement schedule	= \$ 566
\$566 ÷ 2 for one semester	= \$ 283
Payment of \$283 for second semester would use up an additional .36 of the student's Pell Grant for the year since (\$283 ÷ \$782)	= .36

Thus, the student would have used up .73 of his or her eligibility and has .27 remaining (.37 + .36 = .73; 1.00 ÷ .73 = .27). If this student attends school for a third semester in the same award year, the same calculation procedures should be used to determine the amount that (s)he is eligible for, except that the eligibility cannot exceed .27 of the Scheduled Award appropriate for the third semester. If the costs that were used for the second semester are still appropriate, and the student is also a three-quarter time student during the third semester, the calculation would be as follows:

Scheduled Award for the third semester	= \$782
Amount from three-quarter time disbursement schedule	= \$566
\$566 ÷ 2 for one semester	= \$283
Eligibility remaining (\$782 x .27)	= \$211

Thus, payment for the third semester would be for the amount of eligibility remaining (\$211), since the normal calculation procedure results in at least that much.

Changes to Social Security Student Benefits

In 1981, Congress amended the Social Security law which made significant changes to the student benefits program as it affects students attending postsecondary schools. The ultimate goal of these amendments is to limit student benefits to students attending elementary and secondary schools. However, because of the impact these changes will have on currently entitled postsecondary student beneficiaries, the law also provides for a phase-out program for students who meet certain conditions. This program will be implemented over a three year period. The student beneficiaries fall into two categories: phase-out and non-phase-out. Each category is affected differently with respect to entitlement and termination of benefits and how the benefits are computed. In some cases, a student may meet requirements of both categories. If this happens the student will be treated as a phase-out student. Listed below are definitions for phase-out and non-phase-out students.

Phase-out Student

A *phase-out student* must meet all of the following requirements:

1. The student must be entitled as a student beneficiary. (Prior to age 18 a student is entitled as a

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child beneficiary, not a student beneficiary, and is therefore, not subject to the phase-out provision until he or she attains age 18. The student does not need to attain 18 by a certain date to qualify as a student beneficiary (See Example 2.);

2. The student must have been entitled to child's insurance benefits on any record either as a child, disabled child, or student for August 1981; and
3. The student must have been in full time attendance at a postsecondary school for any month prior to May 1982.

The benefits payable to a phase-out student will be adjusted under two separate provisions.

1. Reduction in Benefit Amount for May through August. A phase-out student's benefit amount for the months of May, June, July, and August for 1982, 1983, 1984, and 1985 will be reduced to zero.
2. Reduction in Benefit Amount for September through April. Any benefits payable to a phase-out student for September 1982 through April 1983 may not exceed the amount of the original benefit in effect for that student in August 1981, reduced by 25 percent. For benefits payable from September 1983 through April 1984, the benefits may not exceed the August 1981 rate, reduced by 50 percent. Benefits payable from September 1984 through 1985 may not exceed the August 1981 rate, reduced by 75 percent. All phase-out benefits will be terminated in August 1985.

Non-phase-out student

A non-phase-out student is any student who cannot meet the definition of a phase-out student. There are at least two major groups of students who are or could be entitled to student's benefits but are not phase-out students: 1) those whose first month of entitlement to child's insurance benefits is September 1981 or later and 2) those who were not in full time attendance at a postsecondary school in April 1982 or earlier. Regardless of the reason, the student does not qualify as a phase-out student.

Listed below are some examples from the Social Security Administration of the different types of student beneficiaries.

Phase-out-Students

Example 1:

David Johnson, whose date of birth is January

13, 1964, has been entitled to child's insurance benefits since July 1981. He attended Southern Illinois University from September 1981 through May 1982 and plans to return to the same school in September 1982.

David meets all of the requirements for a phase out student.

Example 2:

Debbie Jackson, whose date of birth is February 10, 1965, has been entitled to child's insurance benefits since July 1976. Debbie graduated from Penckneyville High School in December 1981. She attended Southern Illinois University from January 1982 through May 1982 and plans to attend the same school from September 1982 through May 1983.

Debbie is entitled to child's benefits until February 1983, the month she attains 18. Because she meets all requirements of the phase-out provision, she continues to receive benefits as a phase-out student

Non-Phase-out-Students

Jane Black, whose date of birth is April 15, 1964, was initially entitled to child's insurance benefits in May 1981. She is attending Ottawa High School from September through May 1982. She will return to the same school in September 1982 and graduate in May 1983.

Jane is a non-phase-out student because she was not in postsecondary school prior to May 1982. Her benefits will end.

Disbursement Change Deadline

Because the internal process for changeover from the Alternate Disbursement System (ADS) to the Regular Disbursement System (RDS), or vice versa is lengthy, we request that institutions notify us of a desired change by January 31 prior to the award year which they wish the change to take place.

Institutions that wish to change their method of disbursement of Pell Grants for the award year beginning July 1, 1982, should have already notified the Institution and Lender Certification Branch (ILCB) of their intent, in order that a new participation agreement may be signed.

If you have not already done so, please contact the Institution and Lender Certification Branch

(ILCB), Department of Education, 400 Maryland Avenue, S.W., Room 4923, ROB-3, Washington, D.C. 20202, telephone (202) 245-1744. Failure to notify ILCB immediately to allow adequate time for changeover may result in a delay in payment of your students' 1982-83 Pell Grants.

If you wish further information on the two disbursement systems, please contact the following persons:

Alternate Disbursement - Joan Byrd (202) 472-2685
Regular Disbursement - Moses Giddings
(202) 245-1271

Measures taken to Improve Accuracy of Data Submitted on Progress Reports

The Pell Grant Program has taken two measures to improve the accuracy of the data submitted on institutional Progress Reports. These measures will also expedite the end-of-year account reconciliation and closing.

First, institutions are being notified of discrepancies between the number of SERs reported to have been submitted with Progress Reports and the actual number of eligible, non-duplicate SERs received.

Secondly, the Pell Grant Program has conducted an analysis of Progress Report error frequencies. As a result of this analysis, a letter was sent to all institutions identifying and clarifying those items on the Progress Report that are most frequently misreported.

If you have any questions concerning either of these letters, please contact your Pell Grant Representative on (202) 245-1271.

SARs and ADS Checks Must Be Sent Directly to Students

Student Eligibility Reports (SERs) (which will be called Student Aid Reports (SARs) in 1982-83) and Alternate Disbursement System (ADS) checks must be sent directly to the student. Section 690.11 (c) of the Pell Grant regulations (published in the December 30, 1980 FEDERAL REGISTER) state that the student must provide the address of his or her residence and not the address of the school—unless the

student resides at the school—when applying for a Pell Grant. If the student lives on campus, he or she will have a campus (dormitory) address to which the SER may be sent, but it may not be sent directly to the financial aid, admissions, or other office address of the school. (However, exceptions to this rule are sometimes allowed on a case by case basis in certain situations where the student is incarcerated. If incarcerated students attending your school are having problems receiving their SERs, the financial aid administrator should contact the Policy Section of the Pell Grant Program at (202) 472-4300.)

Similar to the rule affecting the SER, a student's ADS check must be sent directly to him or her, and may not be sent to the institution. This rule is based on sections 690.92 and 690.94(c) which indicate that the Secretary will pay Pell Grant awards to the student when (s)he attends an institution that participates in the program under ADS.

Pell (Basic) Grant Refunds

Repayment of Excess Disbursements on Final Student Validation Roster- During the reconciliation process of the Student Validation Roster, actual disbursements to students sometime exceed the allowable scheduled award or disbursement amount for part-time students. When this occurs, the disbursement amount will be adjusted to show the permissible disbursement, and a printed notation of "Refund BEOG" or "Excess Amt." will appear for each affected student on the Final Roster.

The institution should first verify the student's cost of education, eligibility index, and enrollment status. If these figures are incorrect, a correction should be made through the Roster Correction process. If the cost of education figure, student eligibility index, and enrollment status are correct, then the institution is liable for the overpayment.

In order to correct your records for students who received excess payments, the following is required:

1. The institution must adjust each student's account to *deduct* the amount of any excess payments;
2. The total excess amount for all such over-awards or overpayments must be restored to the BEOG account at the institution (i.e., reported as cash on hand to DFAFS or EDP-

MTS), thereby reducing your institution's total net expenditures for BEOG to the valid payment amount.

Your final BEOG Authorization Letter already excludes the total excess amount indicated in Section II of the Roster. *Please do not* submit a check to the Department of Education. Repayment of the excess amount is accomplished by the restoration of funds to your BEOG account at the institution, and your Recipient Report of Expenditures to DFAFS or EDP-MTS.

Any subsequent recoveries of excess payments disallowed on your Roster should not be reported to the Department of Education. These recoveries of institutional funds need only be reflected in your institutional records.

Training Scheduled for Institutional Administrators

Two series of workshops designed to train institutional administrators, financial aid administrators, and fiscal officers, have been scheduled and will be held throughout the country over the next several months.

These workshops are conducted by the Student Financial Assistance Training Program, under a contract awarded by the Office of Student Financial Assistance, Department of Education, and the Guidance Association.

(AACA), the National Association of College and University Business Officers (NACUBO), and the National Association of Student Financial Aid Administrators (NASFAA).

cial aid administrators and fiscal officers who have recently entered the field. The curriculum will be geared to an operational level and will familiarize participants with the history, philosophy, and ethics of student aid, principles of accountability, planning, and evaluation.

For further information contact:

Student Financial Assistance Program
1776 Massachusetts Avenue, N.W.
Suite 100
Washington, D.C. 20036
Telephone: (202) 887-0144

GSLP and PLUS Special Allowance Rates for Quarter Ending March 31, 1982

The average of the bond equivalent rates of the ninety-one day Treasury bills auctioned during the quarter ending March 31, 1982, is 13.56 percent.

Using the statutory formula of section 438(b)(2) of the Higher Education Act of 1965, as amended, the following special allowance rates were computed for the various eligible GSLP and PLUS loans:

GSLP and PLUS Loans Made Prior to October 1, 1981

Applicable Annual Interest Rate	Special Allowance at Annual Rate	Special Allowance for 3-Month Period
7%	10.125%	2.53125%
9%	8.125%	2.03125%

GSLP and PLUS Loans Made on or After October 1, 1981

7%	10.06%	2.515%
9%	8.06%	2.015%
14%	3.06%	0.765%

New Method for Calculating Quarterly Special Allowance For GSL

The Postsecondary Student Assistance Amendments of 1981 changed the statutory formula used in computing the quarterly special allowances paid to holders of Guaranteed Student Loans (GSLs).

Under the revised formula, the special allowance rates for loans made on or after October 1, 1981 ("post-September") are tied directly to the 91-day Treasury bill averages without being "rounded up" to the nearest one-eighth of one percent. Loans made prior to October 1, 1981 ("pre-October") will continue with the rounding up formula. For example, for the quarter which ended December 31, 1981, the special allowance rate for seven percent post-September loans was computed without rounding up with a result of 8.92 percent at the annual rate. However, pre-October loans with a seven percent statutory interest rate received a special allowance rate which was rounded up to the nearest one-eighth of one percent resulting in a special allowance rate of nine percent at the annual rate.

To implement this change in the statutory formula, we sent lenders a new form for requesting interest and special allowance payment (ED 799). This new form permits a lender to report the outstanding principal balances of pre-October and post-September loans in each statutory interest category (7%, 8%, 9%, or 14%). A lender may report the unpaid principal balances of pre-October and post-September loans in each interest category on the basis of actual disbursement dates. If the lender prefers the convenience, it may choose to report the entire outstanding principal balance as being in the post-September disbursement category (non-rounding up). However, There is a new simplified method which a lender may use in computing the outstanding principal balances of pre-October and post-September loan disbursements. This method involves the use of "weighted average" factors.

The weighted average factor for each loan interest category (7%, 9%, etc.) is calculated as follows:

1. Determine the total *original disbursed principal* amount of loans that were held during the 3-month period.
2. Determine which part of the original disbursed principal amount was disbursed prior to October 1, 1981 (post-September).
3. Obtain the weighted average factors by dividing the pre-October and post-September amounts each by the total original disbursed principal amount for that interest category.
4. Multiply the total *average unpaid principal balance* of the interest category held during the 3-month period by the appropriate weighted average factor.

As an example, during a 3-month period, a lender has a GSL portfolio of seven percent and nine percent (interest categories) loans. The seven percent loans represent a total original disbursed principal amount of \$14 million, of which \$12 million was disbursed pre-October 1981, and \$2 million was disbursed post-September 1981. The nine percent loans represent a total original disbursed amount of \$6 million, of which \$5 million was disbursed pre-October 1981, and \$1 million was disbursed post-September 1981. The lender has determined that for the 3-month period, the average unpaid principal balance of the seven percent loans was \$11.5 million and \$5.75 million for the nine percent loans. The calculations are as follows:

	7% Loans	9% Loans
Step 1.	\$14 million	\$6 million
Step 2.	Pre-October \$12 million Post-September \$ 2 million	Pre-October \$5 million Post-September \$1 million
Step 3.	Pre- $12/14 = 0.8571428$ Post- $2/14 = 0.1428571$	Pre- $5/6 = 0.83333333$ Post- $1/6 = 0.16666667$
Step 4.	Pre- \$11.5 million X $0.8571428 = \$9,857,142$ Post- \$11.5 million X $0.1428571 = \$1,642,856$	Pre- \$5.75 million X $0.83333333 = \$4,791,666$ Post- \$5.75 million X $0.16666667 = \$958,333$

Information about this weighted average method for calculating outstanding principal balances for special allowance payments will be repeated in the next public notice of special allowance rates for the quarter ending March 1982.

Clarification of Multiple Data Entry Participants

Prior to implementing the proposed common need analysis system for determining eligibility for Title IV Federal student aid, the Department of Education (ED) was considering an option to include the Graduate and Professional School Financial Aid Service (GAPSFAS) as a Multiple Data Entry (MDE) processor. GAPSFAS, in anticipation of a contract agreement with ED, had its application form printed with a statement which indicated that application data will be sent to ED. However, because the current need analysis systems for 1982-1983 were retained, GAPSFAS was not included as an MDE processor and, accordingly, will not forward information to ED; nor will ED forward any student reported information on the GAPSFAS applications form to any state financial agency or institution.

Approval of PLUS Program in Participation Agreement

The rapid growth of the Parent Loans to Undergraduate Student (PLUS) Program has generated a number of inquiries to the Office of Student Financial Assistance's Institution and Lender Certification Branch regarding alteration of the program participation agreement to include approval for PLUS participation.

The Institution and Lender Certification Branch has proposed to authorize all schools currently participating in the Guaranteed Student Loan Program to participate in PLUS without re-executing the school's participation agreement. A letter regarding this will be sent to institutions during the summer.

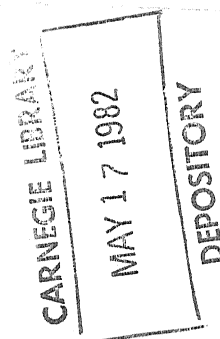
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DEPARTMENT OF EDUCATION

OFFICE OF STUDENT FINANCIAL ASSISTANCE
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